GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1397
ANSWERED ON:03.03.2000
REGULATIONS FOR NBFCS
T. GOVINDAN

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have made it mandatory to all Non-Banking Financial Institutions to deposit a portion of amount collected from its depositors with the Government for the safety of the investors;

(b) if so, the details thereof; and

(c) if not, the reasons therefore?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b)&(c) : It has not been made mandatory for Non-Banking Financial Institutions to deposit a portion of the amount collected from the depositors with the Government. However, in terms of Section 45 IB of Reserve Bank of India Act, as amended in 1997, every Non-Banking Financial Company (NBFC) shall invest and continue to invest in India in unencumbered `approved securities` valued at price not exceeding the current market price of such securities, an amount which at the close of business on any day, shall not be less than 5 percent or such higher percentage not exceeding 25 percent as the Reserve Bank may, from time to time and by notification in the Official Gazette, specify, of the deposits outstanding at the close of business on the last working day of the second preceding quarter. The present requirement of maintenance of liquid assets is 15 percent. In terms of NBFC Acceptance of Public Deposits (Reserve Bank) Directions, 1998 the approved securities are required to be maintained in custody with a designated banker.